



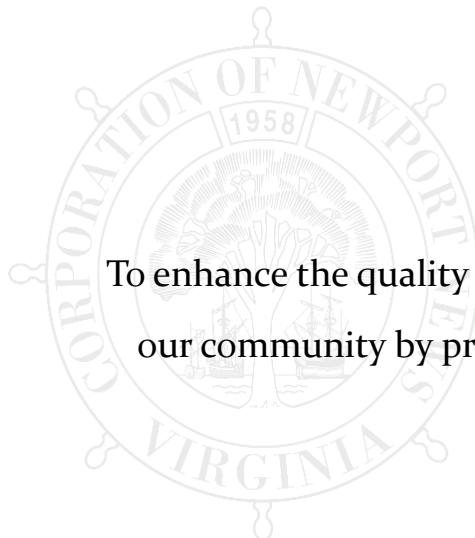
City of Newport News

2014 State Legislative Priorities

for the
Virginia General Assembly



THE CITY OF NEWPORT NEWS, VIRGINIA



MISSION

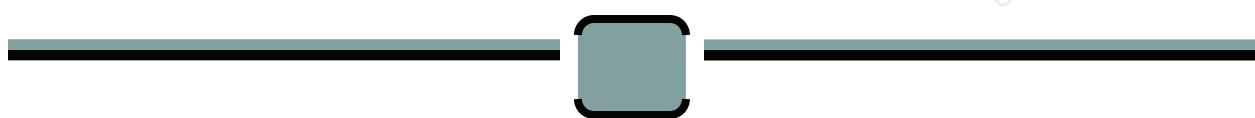
To enhance the quality of life of the citizens of Newport News and our community by providing exceptional government services.

VISION

As enthusiastic ambassadors of our mission and our core values of commitment, caring and collaboration, we strive to achieve proactive and responsible service; a highly trained, competent workforce; and responsible stewardship of resources.

VALUES

❖ COMMITMENT ❖ CARING ❖ COLLABORATION



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THE CITY OF NEWPORT NEWS, VIRGINIA

CITY COUNCIL

McKinley L. Price, D.D.S., Mayor, At Large

Herbert H. Bateman, Jr., Vice Mayor, Central District

Robert S. Coleman, North District

Sharon P. Scott, North District

Tina L. Vick, South District

Joseph C. Whitaker, South District

Dr. Pat Woodbury, Central District

CONTACT CITY COUNCIL

council@nngov.com

757.926.8634

CITY MANAGER

James M. Bourey

SENATE OF VIRGINIA

John C. Miller (D)
1st Senate District
P.O. Box 6113
Newport News, VA 23606
757.595.1100
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In Session: 804.698.7501
General Assembly Building Room 306

Committee Assignments:

- Agriculture, Conservation and Natural Resources
- Education and Health
- Local Government

Mamie E. Locke, Ph.D. (D)

2nd Senate District

P.O. Box 9048
Hampton, VA 23670
757.825.5880
district02@senate.virginia.gov

In Session: 804.698.7502
General Assembly Building Room 427

Committee Assignments:

- Education and Health
- General Laws and Technology
- Local Government
- Rehabilitation and Social Services

VIRGINIA HOUSE OF DELEGATES

as of November 18, 2013

Monty Mason (D), Delegate-elect
93rd District
P.O. Box 232
Williamsburg, VA 23187

delmmason@house.virginia.gov

In session: 804.698.1093
General Assembly Building Room
Committee Assignments:

David Yancey (R)

94th District
P.O. Box 1163
Newport News, VA 23601
757-897-3953
DelDYancey@house.virginia.gov

In Session: 804.698.1094
General Assembly Building Room 717

Committee Assignments:

- Education
- Transportation

Mamye E. BaCote (D)

95th District
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In Session: 804.698.1095
General Assembly Building Room 507

Committee Assignments:

- Appropriations
- Health Welfare and Institutions
- Transportation

REQUESTS AND POLICY STATEMENTS

- I. Remove Cap for Enterprise Zone Designations
- II. Extend Term of Task Force for Local Government Mandate Review
- III. Funding for Juvenile Reentry Services
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- X. Payment in Lieu of Taxes for Port Host Localities
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CODE AMENDMENT REQUEST

I. Remove Cap for Enterprise Zone Designations

Request:

The City of Newport News requests that the General Assembly amend section 59.1-542 of the Code of Virginia to remove the limit on the number of enterprise zones that the Governor may designate. Further, the General Assembly should allocate resources to fully fund the Enterprise Zone Program.

Justification:

The Virginia Enterprise Zone program encourages new business activity by providing State grants and local tax relief. The program creates an improved climate for private sector investment, development and expansion in targeted areas. Two grant-based incentives are available, Job Creation Grants and Real Property Investment Grants. In 2012, Newport News businesses received approximately \$1.9 million from the state in a combination of Job Creation Grants and Real Property Investment Grants benefiting 28 Newport News businesses. Newport News had the highest level of utilization of the program in the state, leveraging the most grant dollars and boasting the largest number of qualifying businesses in 2012.

In addition to State incentives, each locality offers its own package of incentives tailored to their unique needs. Local incentives were instrumental to job creation and capital investment at Canon Virginia, Inc. and to job retention and capital investment at Continental. Local EZ incentives also were critical to securing the High Liner Foods expansion and Liebherr Mining Equipment Expansion.

The Code of Virginia was amended in 2005 to limit to 30 the number of zones that the Governor can designate. However, Virginia currently has more than 50 designated enterprise zones. It is anticipated that as zones expire and are not renewed the number will be allowed to fall to 30 by attrition. The City of Newport News has three enterprise zones, more than any other locality in Virginia and has the second most active Zone program in the State. In the past 5 years, Newport News has used the Virginia Enterprise Zone program to facilitate the creation of approximately 1700 new jobs and the retention of 631 jobs. The Enterprise Zone program is a valuable economic development tool and the program should be expanded, not allowed to contract.

CODE AMENDMENT REQUEST

II. Extend Term of Task Force for Local Government Mandate Review

Request:

The City of Newport News requests that the General Assembly amend section 15.2-2903 of the Code of Virginia to extend the term of the Task Force for Local Government Mandate Review from an expiration date of July 1, 2014 to July 1, 2016.

Justification:

In September 2011, Governor McDonnell announced the creation of the Governor's Task Force for Local Government Mandate Review. The five-member task force is a result of legislation introduced during the 2011 General Assembly Session to review state mandates imposed on localities and to recommend temporary suspension or permanent repeal of such mandates as appropriate. As a result of the work of the task force, 22 mandates were repealed in the 2012 session of the General Assembly. However, in that same legislative session the General Assembly passed an additional 35.

During the coming year the Task Force will be focusing on establishing a framework for discussion between state and local government to improve the efficiency and delivery of services. In addition they will continue to work on reforming the bureaucratic rules blocking the mandate review process and continue to recommend reductions in state mandates. As the work of the task force has progressed it has become clear that simply checking off a list of mandates is not the answer to mandate reform. An ongoing dialogue is needed. Through open and sustained channels of communication between local governments and state agencies, working relationships can be strengthened and partnerships can be created to improve the delivery of important services to the citizens of the Commonwealth. These partnerships will result in a clearer understanding of what local governments are and are not mandated to do, the purpose of mandates, and a greater appreciation by state agencies of the impact mandates have on local governments. This effort is a massive undertaking with great potential to help craft better public policy and enhance service delivery. The work of the task force should be allowed to continue.

BUDGET AMENDMENT REQUEST

III. Funding for Juvenile Reentry Services

Request:

The City of Newport News requests that the General Assembly provide \$300,000 over the biennium to be used to provide reentry services for juvenile offenders. This funding will be used to provide services such as individual therapeutic counseling, in-home tutoring and mentoring, case management and monitoring, and curfew checks.

Justification:

Young at-risk offenders who are returning to the community after a period of secure detention face many challenges. It is not uncommon to find that these individuals struggle with educational deficiencies, mental illnesses, substance abuse, and other issues. Research has proven that transition planning, access to educational and vocational programs, housing assistance, substance abuse and mental health treatment, and life skills training can significantly reduce the rate of recidivism and promote safer communities.

A comprehensive reentry plan coupled with effective case management has been proven to make a tremendous impact on the future of young juvenile offenders. This is especially important as the State has downsized its system of residential facilities and is proposing to extend the maximum length of Post Dispositional program placements from six (6) months to a maximum of twelve (12) months and/or lowering the entry level age from 14 to 11 years of age. Given that the State does not provide funding for Post-Dispositional programs, this shift essentially creates an unfunded mandate on the locality to provide services for this population.

POLICY STATEMENTS

IV. BPOL, Machinery and Tools, and Merchants Capital Tax

Request:

The City of Newport News asks the General Assembly to reject legislation that will eliminate or drastically reduce local government revenue sources including, BPOL, Machinery and Tools, and the Merchants Capital taxes.

Justification:

In the 2013 session of the General Assembly legislation was passed tasking the Virginia Small Business Commission and the Virginia Manufacturing Commission with a review of the issue of eliminating the BPOL, Machine and Tools and Merchants Capital Tax. The supposed impetus for eliminating these taxes is to encourage businesses to locate in Virginia, a state that is currently listed (September 2013) as Forbes “Best State for Business”. The Commissions are looking at the elimination of these three taxes in conjunction with a proposal from the Thomas Jefferson Institute for Public Policy that would eliminate the taxes and replace the almost \$900 million in revenue with a tax on services. Although proposals to eliminate these local revenue streams are accompanied by the assurance that the State would make any changes revenue neutral, local governments that rely on these levies have cause for grave concern.

Given the nature of our local economy and the scope of funding in question, the City is highly skeptical that the elimination of these taxes could spur business investment greater than or equal to the current level. The proposal that a tax on services would create revenue neutrality is equally suspect. In Newport News, BPOL and Machinery and Tools taxes generate approximately 8.3 percent of the City’s General Fund. In FY13 the City collected approximately \$19.8 million in Machinery & Tools taxes and \$16.2 million in BPOL. In order to compensate for the loss of these business taxes, the City would need a minimum increase of \$0.27 in the real estate tax rate, currently \$1.22. Given the median home value of \$205,000, this equates to a real estate tax increase of over \$500 annually! By comparison, two-thirds of Newport News businesses pay a flat fee of either \$30 or \$50, based on their annual gross receipts. Only one-third of the City’s businesses pay a tax based on their business activity and the tax rate for that activity.

While the City of Newport News applauds the efforts of the General Assembly to bring jobs and economic growth to Virginia, local government revenue should not be the bargaining chip with which this is accomplished.

POLICY STATEMENTS

V. Street Maintenance Payments

Request:

The City of Newport News asks that the General Assembly increase the lane mileage payment rate for city street maintenance payments and that they refrain from expanding VDOT's role in the local project prioritization process.

Justification:

A recent VDOT study of pavement condition that compared city-maintained primary and local streets to state-maintained primary and secondary roads found that a higher percentage of city-maintained primary and local streets were deficient compared to VDOT maintained primary and secondary roads. This finding prompted the Commonwealth Transportation Board (CTB) to speculate that city pavement deficiencies could be the result of mismanagement or lack of proper prioritization by local governments. The City suggests that it is attributable to the complex nature of urban roadways and insufficient funding allocated by the CTB for maintenance.

The City of Newport News manages roadways in a responsible and cost effective manner. However, locally maintained roads are more complex, older and more costly to maintain than VDOT primary and secondary roads. The City is also responsible for other infrastructure within the right of way such as sanitary sewer lines, manholes, storm sewer lines including catch basins and drop inlets. All of these assets must be taken into consideration when making paving decisions. Newport News currently has 1193 lane miles of roadway eligible for reimbursement through VDOT. Of that total, only 283 miles, or approximately 24%, are defined as arterial roadways leaving 76% classified as local/collector roadways. In FY2013, the City of Newport News received approximately \$14.8 million for street maintenance; the actual cost for street maintenance was over \$16 million. Additional State funding is needed to properly maintain city streets.

The City of Newport News uses maintenance payments to maintain infrastructure within the City right-of-way that is approved by VDOT and listed in the VDOT inventory. Localities must submit to VDOT for their approval an inventory of streets that meet the VDOT design criteria. Local streets are inspected by VDOT and are audited annually by VDOT. There is no need to expand VDOT's role in the local project prioritization process as the structure is currently in place to assure that funding is spent appropriately.

POLICY STATEMENTS

VI. Public Transportation

Request:

The General Assembly is asked to support funding mechanisms that will allow public transit to maintain and expand service levels. In addition, the City of Newport News asks that the General Assembly provide funding for a study to identify potential high capacity, fixed guideway transit corridors in Hampton and Newport News.

Justification:

FUNDING: Public transportation systems in Hampton Roads rely heavily on local general fund revenue for support. This puts public transit in competition with education and public safety for scarce local revenue. The City of Newport News is served by Hampton Roads Transit. The cost to the City for public transit has increased by approximately 15 percent over the most recent three fiscal years with an FY 2013 cost of \$5,200,640. This increase has come with no expansion in services. HB2313, the landmark Transportation bill passed by the General Assembly in 2013, does not allow Hampton Roads to use regional money for transit. The City feels that this makes transit funding a priority policy issue as the existing transit funding structure for Hampton Roads Transit hinders the planning and delivery of a robust regional transit system to support regional economic competitiveness and mobility. Traditional sources of funding are not expected to permit the region's transit systems to continue to provide service at current levels, much less make anticipated expansions.

PENINSULA FIXED GUIDEWAY CORRIDOR STUDY: Hampton Roads Transit is proposing a study to identify potential high capacity, fixed guideway transit corridors in Hampton and Newport News that could connect major residential and commercial activity centers including Newport News Shipbuilding, Peninsula Town Center in Hampton, City Centre at Oyster Point, and other Peninsula destinations. This study would provide a foundation for streamlined entrance into the formal environmental review process required under the National Environmental Policy Act for major federal actions. The cost of the study is \$1.9 million.

POLICY STATEMENTS

VII. Joint Legislative Audit and Review Commission (JLARC) Study of Transportation Funding Equity

Request:

The City of Newport News supports the request for a Joint Legislative Audit and Review Commission (JLARC) study of transportation funding equity.

Justification:

The General Assembly directs that the Commonwealth Transportation Board allocate funds for transportation construction after maintenance and other subtractions are taken from total revenue available. Forty percent of transportation funding goes to primary roadway allocation and thirty percent goes to each of the secondary and urban systems.

In 1984, JLARC completed a study of “The Equity of Current Provision for Allocating Highway and Transportation Funds in Virginia” (JLARC Study #64). The purpose of this review was to examine the needs of urban, primary, and secondary roads systems and recommend the portion of funding that should be allocated to each. The 1984 study which was described as “a rigorous and objective analysis of the need for construction dollars” recommended that the General Assembly distribute one-third of the funding to each system. Instead, the General Assembly implemented the 40-30-30 distribution which is currently in use.

By 2017, HB2313 will generate sufficient funding to allow allocations to the various road systems. Because the current distribution formula is based on a study completed almost three decades before HB2313, it seems appropriate that a new study be completed that will determine the most appropriate use for new funding, determine the adequacy of roadway maintenance funding provided to localities, and examine funding breakouts for other modes of transportation such as transit.

POLICY STATEMENTS

VIII. Commonwealth Transportation Board Representation by Congressional District

Request:

The City of Newport News supports an amendment to the Code of Virginia such that Commonwealth Transportation Board members are selected by one representative from each Congressional district while retaining the current At-Large members.

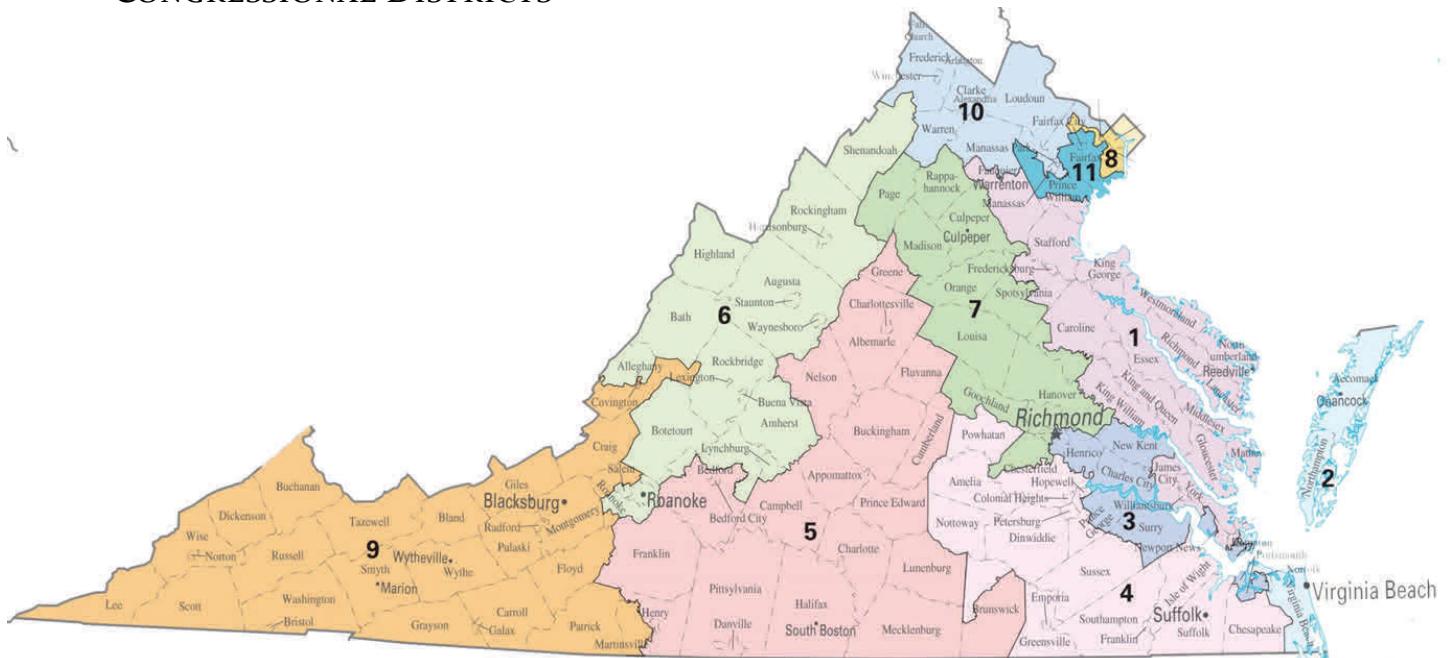
Justification:

Currently, the Commonwealth Transportation Board is primarily composed of members from the VDOT construction districts across Virginia. The construction districts were drawn in the late 1920's and do not accurately represent the current population. Since that time, the Commonwealth's population has coalesced along the I-95/I-64 corridor and the I-66/I-81 corridor. The construction districts and representation on the Commonwealth Transportation Board do not correlate with where the majority of the people in the Commonwealth reside. Aligning representation with Virginia's population distribution, while retaining the current At-Large members, is the most equitable way for Commonwealth Transportation Board to prioritize funds and programs for the Commonwealth.

VDOT DISTRICTS



CONGRESSIONAL DISTRICTS



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POLICY STATEMENTS

IX. Jefferson Lab Base Funding and Funding to Compete for Electron Ion Collider

Request:

The City of Newport News supports Jefferson Lab's request for the General Assembly to increase base funding and to provide additional funding to position the lab to compete as the site for DOE's planned Electron Ion Collider (EIC) Project .

Justification:

The Thomas Jefferson National Accelerator Facility (Jefferson Lab) is one of 17 national laboratories funded by the U.S. Department of Energy. The lab also receives support from the City of Newport News and the Commonwealth of Virginia. The lab's primary mission is to conduct basic research of the atom's nucleus using the lab's unique particle accelerator, known as the Continuous Electron Beam Accelerator Facility (CEBAF). Jefferson Lab also conducts a variety of research using its Free-Electron Laser, which is based on the same electron-accelerating technology used in CEBAF.

INCREASE THE COMMONWEALTH'S INVESTMENT IN JEFFERSON LAB: The General Assembly should add \$500,000 to the \$1.15 million base funding provided by the Commonwealth to expand support for research and development in high impact areas, resulting in new technologies and intellectual property. This will attract, through enhanced and broader collaborations with Virginia universities, more students and faculty in these high-profile, high-demand science and technology areas. Over the life of the lab, \$44 million in investments has leveraged more than \$2 billion in DOE, DOD and foreign investments.

PROVIDE \$3 MILLION IN FY14 AND \$5 MILLION IN FY15 TO POSITION JEFFERSON LAB AS A SITE FOR DOE'S NEXT LARGE RESEARCH FACILITY, THE ELECTRON ION COLLIDER (EIC): Jefferson Lab is seeking funding that will allow them to prepare to successfully compete for this new facility. This will require upfront investment in three areas: 1) Site characterization including environmental assessment of available site and required utilities (\$3.7M), 2) Risk and cost reduction preliminary research and development, (\$3.4M), and 3) Increasing collider and magnet expertise at Jefferson Lab needed to advance the design process (\$0.9M). Funding from the Commonwealth will provide the opportunity to gain a competitive advantage to leverage site selection, bring over \$600M in construction to Jefferson Lab, increase lab staff by 50 percent, and attract hundreds of new researchers to Hampton Roads Virginia and to Virginia's research universities.

POLICY STATEMENTS

X. Payment in Lieu of Taxes for Port Host Localities

Request:

The City of Newport News supports legislative or budgetary action that will either fully fund the new formula or provide for more equitable funding to the host cities of the Virginia Port Authority.

Justification:

The 140.64 acre Newport News Marine Terminal (NNMT) is the Port of Virginia's main break-bulk terminal. NNMT provides 42,720 feet of direct rail access and 3,480 feet of total pier space serviced by four cranes, direct cargo loading, covered storage, container storage, and accessibility from 3 major Virginia roadways. Despite the great benefits to the Commonwealth of the Port, these benefits are not equitably distributed to the host cities. The City of Newport News does not receive a payment in lieu of taxes that is sufficient to offset the wear and tear on local roads and the loss of tax revenue to which the City would be entitled if NNMT were private. The real estate taxes alone for the NNMT property are valued at over \$980,000 per year.

For more than thirty (30) years the host cities of the Virginia Port Authority have requested State funding to offset the impact of the Port's presence in our localities. In 2000 the General Assembly passed SB752 which set into law a new funding formula for payment in lieu of taxes to the host cities of the Port. This formula determines an appropriate payment based on the value of VPA real property in each locality as a percentage of all VPA real property, the percentage of cargo tonnage shipped from the locality compared to tonnage shipped for all localities, and a \$0.25 multiplier. These funds were to be paid out of the State's General Fund and would offset, to the point of eliminating, the old service fee that VPA uses to calculate payments in lieu of taxes to its host cities. Unfortunately, the new formula has never been fully funded.

In 2007, the host cities received \$1,000,000 (reduced to \$950,000 due to the recession) for roadway maintenance for activities related to port operations; in FY2013, the City's share of that funding was approximately \$114,000. The City also received from VPA \$131,747 based on the old service fee charge. However, if the new formula were fully funded, the City would have received \$348,670.

The VPA is a commercial business enterprise. This distinguishes it from any other State owned properties. The economic benefits derived from the VPA's operations support the entire Commonwealth of Virginia and should support the localities that make that possible.

POLICY STATEMENTS

XI. Government Accounting Standards Board Reporting Requirements

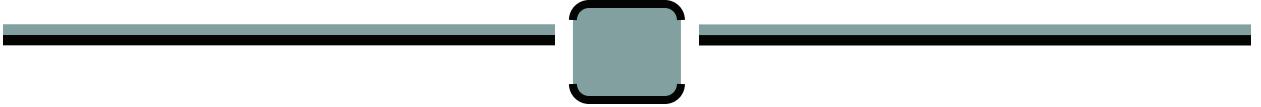
Request:

The General Assembly is asked to fully fund the actuarial rate for teacher retirement as recommended by the Virginia Retirement System Board of Trustees. The Commonwealth should pay at least its fair share of teacher retirement costs directly to VRS. Further, the unfunded liability for the plan should be a responsibility shared by the state and local governments.

Justification:

The Government Accounting Standards Board (GASB) has adopted new standards for the calculation and reporting of unfunded liabilities for cost-sharing plans. Virginia's teacher retirement plan is a cost-sharing plan. Starting in FY 2015, the unfunded liabilities for school divisions will be reflected on local government financial statements. The share of the schools actuarial pension liability for the City of Newport News is \$328.3 million. These added liabilities may affect local government bond ratings.

For more than 20 years, the state has often chosen to fund the teacher retirement plan at rates below those recommended by the VRS Board of Trustees. At the same time, the state also expanded retirement benefits by decreasing age and service requirements, allowing for purchase of service, and requiring health insurance credits. Consistent underfunding, benefit increases and investment losses have increased the unfunded status of the teacher retirement plan. The state sets standards that require a minimum number of teachers and shares in the cost of salaries and benefits. Just as the state shares in those costs, the state should accept shared responsibility for the unfunded liability.



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